

**OFFICE OF THE WASHINGTON STATE  
LIQUOR CONTROL BOARD  
Public Hearing and Board Meeting  
Seattle, Washington  
May 31, 2000**

**DEFENDANT'S  
EXHIBIT**

CASE  
NO. C04-0360P

EXHIBIT  
NO. 535

The regular meeting of the Washington State Liquor Control Board was called to order at 9:30 a.m., Wednesday, May 31, 2000 at the Liquor Control Board's Distribution Center, 4401 East Marginal Way South, Seattle, WA., by **Chairman Eugene A. Prince**. **Board Member Kathy Kreiter** was present. Mollie Timm, Confidential Secretary to the Chairman, transcribed the recorded minutes.

**Public Hearing - Proposed Rules Regarding Payment of Beer and Wine Taxes by Non-Retail Licensees:**

**Teresa Berntsen:** Today the Board is here to take public input on some proposed rules regarding payment of beer and wine taxes by non-retail licensees. These changes came about as a result of a process improvement team led by Heidi Whisman of our Licensing Division, so I will let her explain the changes. But briefly the process is, this is the second of two public hearings on this issue. We had one in Olympia last week. The Board will take public input on these rules. They will wait an additional week to take written comments and they will then need to adopt the rules as written or with minor technical changes, or to make major changes and go out for more public hearings.

**Heidi Whisman:** I am Heidi Whisman and I am with the MIW section of the Licensing and Regulation Division of the Liquor Control Board. As Teresa stated, this new chapter deals with the beer and wine tax payment and reporting requirements for breweries, wineries, beer and wine importers and distributors. This new chapter will replace and revise portions of the existing WAC chapter 314.24 which deals with wine tax payment and chapter 314.20 which deals with beer tax payment.

One of the major changes is that the beer tax liability will be moved from the brewery level to the beer distributor level. This brings the beer tax liability in state making it consistent with wine tax liability payment procedures. It also will allow the distributors to pay the tax dollars later. In the current process, they pay the tax as part of the price mark up to the breweries right when they purchase the product. Under the proposed rules, the distributors will purchase the product at price that does not include the tax and 20 days after the end of the month that tax would be due so it could be as much as 50 days that they pay the taxes.

Also in these changes, we are revising the surety bond requirement which guarantees the payment of the taxes to the state. Currently, all licensees with a tax liability are required to carry a surety bond. Our proposal is that licensees that have met specific criteria in regard to not paying their taxes on time and reporting would be the only ones required to have a surety bond to guarantee those tax payments. We have also allowed for an option instead of the surety bond, a licensee could get an assigned savings account. That has

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been a request from several licensees over the years that we are hoping to be able to implement now.

Also, as a side issue, our Financial Division has already streamlined and reduced the reporting forms by about 35% - which made the reporting simpler and easier. They are ready to implement that for the wine product, and if these WACs pass, they will do the same thing with the beer. The forms and the filing format will be available either on paper or in an excel format that could be emailed back to the Board. And we are also continuing to study the feasibility of creating an Internet based filing system, so hopefully as well as the proposed rule changes, we will be able to implement these other things as well.

**Chairman Prince:** There is no one signed up to testify. Is there anyone in the room that didn't realize they had to sign up who wishes to testify?

**Dorothy Shubert:** My name is Dorothy Shubert and I am from South Park. It seems like South Park is inundated with places of liquor and although that is okay and people might make an honest living, we just think that maybe the Liquor Board should be very careful when they provide the liquor licenses, and if you make some mistakes maybe you should be given an assignment of three months in that location to see what you've got, because it is pretty hard sometimes and we end up with good neighbor agreements to try and control the activity and the things associated with liquor. I know it has its place in society and I am not trying to undermine that, I am just saying you should be very careful and investigate the places you sell besides the input the community gives you and the police department gives you. It would make it a lot better for the entire environment of the neighborhoods. We should be very diligent when we decide who gets a liquor license, you have a very important role in our whole community and we just want to be sure they are treated fairly and that we can live with it.

**Chairman Prince:** We would really appreciate it if you see things you disagree with, you let us know. Because we try to investigate and we ask the people in the community before issuing a license. We certainly make an attempt in this direction, so if you do see things, we are willing to listen.

**Dorothy Shubert:** But if you stand up to be counted you could be getting not good rewards for what you said. If the community stands up and speaks out, they can have trouble.

**Chairman Prince:** We don't mean to pick on anyone.

**Dorothy Shubert:** I am not talking about the Liquor Board, I am talking about recipients of potential liquor licenses. I'm saying that people get very angry when they can't have what they want.

**Chairman Prince:** That may be true, but we do have a process and you are talking about the process, so be sure and know that we are willing to listen to your comments.

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